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NOTE FOR: TONY LAKE**FROM: DON KERRICK****SUBJECT: Dayton SITREP #5; November 9, 1995, 2:00am.**

Negotiations began in earnest Wednesday. First week of reestablishing old friendships gave way to intensive U.S. led face-to-face talks on constitution, elections, and map proposals.

In scene reminiscent of the Godfather, two families (don Sloba and outcast Bosnian Serbs, don Izy and Federation) held truly remarkable six-hour map marathon. Despite hours of heated, yet civil exchanges, absolutely nothing was agreed. Astonishingly, at one moment parties would be glaring across table, screaming, while, at another moment minutes later they could be seen smiling and joking together over refreshments. Nevertheless, not clear Sarajevo solvable. Completely different views. During day, U.S. tabled "special district" proposal. Bosnians presented country-wide 60% map proposal - rejected by Serbs. Serbs agreed to present map Thursday. Saga continues.

Only good news of day came from talks on Federation where agreement was reached to complete establishment of fully functioning Muslim-Croat entity. Key points: transfer of power from Republic to Federation, dissolution of Hereg-Bosna, splitting of customs revenues between Federation and Republic, new statute for Mostar. Parties sign Friday when Secretary Christopher returns. Hope to build momentum for other tough issues. Implementation will require substantial international support and pressure.

David Lipton arrived Wednesday for talks with Milosevic on creating a central bank for Bosnia. Critical effort for reconstruction.

Bob Gallucci continued talks with Euros on civilian implementation and police issues. No agreement on role of UN and SICOR. Talks continue Thursday.

Talks also pressed ahead on Eastern Slavonia but still far away from agreement. Tudjman returned to Dayton last night.

Arm and train team arrived Wednesday. Working under Wes Clark leadership. (Richard Perle now in Dayton advising Bosnians).

As reported, sanctions issue was explosive throughout Wednesday. Your support was critical and greatly appreciated. As you requested, embassies Sarajevo and Belgrade will report on status of gas Thursday morning. John Menzies and Rudy Perina are in Dayton and will call OOB. Dick will work press statement with Contact Group/Nick Burns.

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